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TRADE AND DEVELOPMENT BOARD

Meeting of Governmental Experts from
Land-locked and Transit Developing Countries
and Representatives of Donor Countries and
Financial and Development Institutions
New York, 17 May 1993

AGREED CONCLUSIONS AND RECOMMENDATIONS: PRIORITY AREAS AND MODALITIES FOR FURTHER ACTION TO IMPROVE TRANSIT SYSTEMS IN LAND-LOCKED AND TRANSIT DEVELOPING COUNTRIES

1. General Assembly resolution 46/212 reaffirms the right of access of land-locked countries to and from the sea and freedom of transit through the territory of transit States by all means of transport, in accordance with international law. It also reaffirms that transit developing countries, in the exercise of their full sovereignty over their territory, have the right to take all measures necessary to ensure that the rights and facilities provided for land-locked developing countries should in no way infringe upon their legitimate interests. Furthermore, it calls upon both the land-locked developing countries and their transit neighbours, within the spirit of South/South cooperation, including bilateral cooperation, to implement measures to strengthen further their cooperative and collaborative efforts in dealing with their transit problems.

2. In order to respond to these challenges, land-locked and transit developing countries and donor countries and financial and development institutions should undertake concrete measures in a number of priority areas at national, subregional and international levels.

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I. Priority areas for transit cooperation

a. Regulatory framework

3. Transit traffic is facilitated by agreements and conventions, appropriate bilateral and regional arrangements, and cooperative and collaborative efforts which establish the principles and modalities that govern the development of transit infrastructure, arrangements for its use, management and maintenance and day-to-day transit procedures. The problems which have to be addressed in relation to the regulatory framework are: the establishment of appropriate rules to govern transit in particular situations; and the establishment of an appropriate mechanism to ensure that rules are implemented.

4. At the multilateral level there are a range of conventions relevant to transit, some of which set out principles which can act as guidelines in formulating and implementing bilateral and subregional transit agreements, others being of a technical nature which could assist in developing frameworks for transit operations. The universal adherence to these conventions by land-locked and developing countries has been slow. These agreements are an important tool for improving transit systems, and international cooperation would be enhanced by their widespread application.

5. There are also a number of regional and subregional agreements related to transit. These cover such aspects as transit routes by rail, road and inland waterways, customs documentation and procedures, bonding guarantee systems, liability for goods, storage facilities for goods in transit, road maintenance regimes, road user charges, and procedures for clearing and forwarding. Some of the problems have often been related to poor formulation and weak monitoring of implementation and the settlement of disputes.

b. Transit facilities and services

6. The poor and deteriorating maintenance of road transit infrastructure is a general problem. Development of road transit infrastructure is handicapped by the general shortage of resources in developing countries. This has contributed significantly to the high costs of road services on which the international movement of cargo is still heavily dependent. In some regions agreements have been adopted to promote the adequate maintenance of road infrastructure through regulations related to the harmonization of vehicle axle-load weights and road user charges along international routes, but their implementation is still not universal, with adverse impact on the road infrastructure of the countries affected.

7. Despite the improvements in rail infrastructure in some regions following major rehabilitation programmes, some of which are funded by the donor community, there are still serious problems of equipment, and railways have been losing more traffic to roads because of the low quality of services. The major bottleneck is the low standard of management efficiency, although efforts are being made to move towards a more aggressive market-oriented enterprise policy of railway management. However the impact of these efforts is still to be felt. Inter-railway working agreements and arrangements between land-locked and

transit countries have also helped improve the coordination of railway operations in some land-locked and transit countries, but there is still a need for improvements in this area.

8. Storage for transit cargo raises a number of difficult problems. Before transit cargo can be moved out of the port, procedures such as documents processing and customs clearance must first be completed. And this is more time-consuming for land-locked countries owing to the extra documentation and procedures required.

9. One of the main causes of delays and high transit costs both in ports and at border crossing points is customs procedures. Factors associated with this are late arrival of documents at the transit sea ports, cumbersome customs clearance procedures at the borders, long stays in warehouses with consequent important storage charges, losses and pilferage, expensive customs security bonds and low capabilities of clearing and forwarding agents. Trade facilitation is therefore even more relevant for land-locked countries, for which administrative procedures and time-consuming formalities are often duplicated.

10. Inadequate communication links between commercial centres in land-locked and transit countries, ports and overseas markets continue to be a major handicap inhibiting the speedy movement of transit cargo. This can lead to enormous delays in getting the cargo in and out of the ports, since there is irregular information on the time schedules for the arrival and departure of cargo. The costs caused by such delays are considerable.

11. The particularly adverse circumstances affecting the movement of transit traffic to and from the land-locked developing countries expose cargo to risks of loss and damage, thus giving rise to higher insurance premiums. There are instances where goods are subject to prolonged inspection and are sometimes made to wait in congested, unprotected and inadequate premises and have to be reloaded before they can continue their inland journey - factors which often increase the risk.

12. The trend towards increased containerization offers the opportunity to increase the security of transit cargo, reduce the risks of customs frauds, and undertake the door-to-door movement of goods performed under the responsibility of a single multimodal transport operator. However, many land-locked and transit developing countries are not yet in a position to take full advantage of these new technological and organizational changes in international transport.

13. There is an acute shortage of trained human resources in both the land-locked and transit countries to meet the requirements of efficient management of transit operations at all levels. This constraint has had an extremely adverse impact on the quality of transit services and has contributed to high transit costs.

14. Transport policies of transit countries are formulated within the framework of overall domestic transport strategy, and investment in transport infrastructure may be treated marginally owing to the competition for scarce resources by all sectors of the economy. The

inadequacy of transit facilities in transit countries may therefore as a result have an adverse impact on the cost of transit services.

II. Modalities for action to improve transit systems

a. International conventions

15. Land-locked and transit countries should make concerted efforts to become parties to and implement international conventions relevant to transit, as appropriate.

(i) A suitable approach in this regard would be to seek technical assistance from relevant multilateral agencies in order to determine the implications for adherence to such conventions and the technical procedures involved both before ratification and thereafter.

(ii) Since some of these conventions have provisions related to the rights and duties of both land-locked and transit States, like the 1965 Convention on Transit Trade of Land-locked States, it would be most appropriate if joint consultations were held with the aim of considering becoming party to, ratifying, and implementing these conventions concurrently.

b. Subregional action

16. Land-locked and transit countries should make concerted efforts to implement bilateral and subregional agreements and arrangements.

(i) They should make increased efforts to further harmonize and streamline customs documentation and procedures related to transit in line with international models of aligned documents developed by the Customs Cooperation Council and UNCTAD. Other existing transit documents for port and cross-border operations also generally require extensive simplification and harmonization. It is urged that institutional arrangements such as the establishment of Trade/Transit Facilitation Committees - which monitor and assist in the implementation of agreed documents and procedures - be made where they do not exist, and where they exist they should be strengthened.

(ii) Land-locked and transit countries should agree to standardize the regulations governing carriers' liability in the form of inter-state agreements for each type of carrier (road, railways, inland waterways and multimodal transport operators) based on the general guidelines of the Convention on the International Carriage of Goods by Road (CMR) and the International Convention concerning the Carriage of Goods by Rail (CIM) and taking into consideration regional circumstances.

(iii) The harmonization of procedures for road maintenance in transit corridors also calls for full cooperation between land-locked and transit countries. This should include: harmonized road user charges based on the principle that transit traffic, including nationally registered vehicles involved in transit operations, pays for the costs of providing and maintaining the highways used; the allocation of revenue realized from such payments to road maintenance; and the coordinated enforcement of uniform axle-load limits and weigh-bridges.

(iv) The liberalization of trade in road transit services can only have an effective impact if land-locked and transit States jointly agree to adopt similar coordinated policies. These should include the harmonization of rules and procedures governing the operation of non-national carriers of transit goods in each other's territory (which currently include permits, licences, cargo-sharing systems) and the rationalization of subsidies to national carriers involved in international road transit, in line with regional and subregional policies to liberalize trade and services.

(v) Land-locked and transit countries should undertake other initiatives to facilitate transit operations which include: the promotion of bilateral joint ventures in the field of transport; the improvement of communication services and management information systems; the movement of road vehicles or railroad rolling stock across the frontiers of the land-locked and transit countries.

(vi) Land-locked and transit countries should establish institutional mechanisms to monitor and enforce the cooperative arrangements made between land-locked and transit States. There cannot be any model institutional mechanism to which all transit agreements and arrangements should subscribe because the circumstances surrounding each case are different. What is important is that a mechanism for regular dialogue exists because, without this, meetings are only convened to resolve an impending crisis. Clearly, where several countries and different modes of transport are involved, establishment of small secretariats and an intergovernmental consultative machinery for regular consultation is a good investment. At the operational level, arrangements should be made for regular consultations between operational executives of the Governments of land-locked and transit countries with the users of the transit facilities with a view to the expeditious solution of day-to-day problems.

(vii) Subregional or corridor-specific private sector associations of road transporters, shippers councils and freight forwarders from land-locked and transit States should be formed and, where they exist, they should be strengthened, most appropriately with the support of the Chambers of Commerce.

17. Land-locked and transit countries should further promote regional and subregional trade arrangements and cooperation, and UNCTAD, ITC and the regional commissions are called upon to support these efforts.

c. National action

18. While action at the subregional level is the key to improvement of transit systems, such action will have more success if it is supported by measures at the national level. These include some measures which are specific to land-locked or transit countries, and some measures which are relevant to both groups of countries.

(i) Land-locked countries should re-assess the impact on the efficiency of transit operations of government regulation which, inter alia, includes the use of foreign exchange procedures to regulate the volume of the flow of transit cargo, particularly with respect to imports; price control to support indigenous road hauliers; restrictions on the use of certain modes of transport; and measures designed to encourage route diversification. Government intervention should be reduced whenever such intervention results in avoidable costs.

(ii) In order to minimize the delays associated with customs and clearance procedures in ocean ports, land-locked countries should vigorously promote the development of dry inland ports where volumes of traffic are sufficient and, most appropriately, the establishment of institutions to propel such promotional work, in close liaison with the private sector and wherever possible with transit States. Furthermore, they should seek to elaborate a procedural framework, including adequate legislation for through transit.

(iii) Transit countries should encourage port authorities to look for transit cargoes actively. These efforts should be accompanied by measures which enhance the logistical efficiency of importers and exporters in the land-locked countries, including the provision of storage and handling facilities for transit cargo, improved procedures and lobbying for inland transport services. The management of ports should move towards a more market-oriented policy, and port authorities should be given greater management authority to effect changes.

(iv) Both land-locked and transit countries should take action to attract transit traffic to existing inter-country railway lines through measures which improve the quality of service and managerial restructuring of railway authorities, without discounting the possibilities of investing in new railway networks where this is deemed viable.

(v) Both land-locked and transit countries should intensify human resource development programmes targeted at transit system requirements, particularly

with reference to: organization and management of road and rail transit services; establishment and management of transport terminals, including container depots and dry ports; supervisory and operational functions related to other areas of transit operations (insurance, airfreighting and customs documentation). These measures should be complemented by human resources development programmes at the subregional level. UNCTAD's ongoing technical assistance work is a good example in this area.

(vi) In some land-locked and transit countries there is an urgent need to take measures to increase the professional standing of freight forwarders. Small and medium-scale freight forwarders should be fostered through human resource and institutional development programmes.

(vii) Both land-locked and transit countries should cooperate with national subregional insurance and banking institutions in facilitating warehouse-to-warehouse cargo insurance. Land-locked countries should not impose restrictions on the choice of the insurance, leaving the insured to select the best insurance cover with the most reasonable rate of premium.

19. Many of the rules governing transit trade have evolved in the context of measures to protect the legitimate interests of involved countries. Further examination, evaluation and measures should be seen in the light of securing a balance between the legitimate interests of both land-locked and transit developing countries.

d. International action

20. The donor community is supporting various programmes to promote the improvement of transit systems in various regions and subregions. Given the continued economic crises which land-locked and transit countries are facing and their inability to maintain efficient transit systems, the donor community should reassess its approach to assistance to improve transit systems, as appropriate, in its response to the requirements of these countries.

(i) Donor countries and financial and development institutions should give priority to projects and programmes as appropriate which adopt a subregional/corridor approach to the improvement of transit systems, and which adequately serve the needs of both land-locked and transit countries.

(ii) Donor countries and multilateral financial and development institutions should provide land-locked and transit developing countries with appropriate financial and technical assistance in the form of grants or concessional loans for the construction, maintenance and improvement of their transport, storage and transit infrastructures and facilities, including alternative routes and improved communications.

(iii) The criteria for the elaboration of financial and technical assistance projects should take account of the especially difficult circumstances of these countries, without compromising the viability of these projects.

(iv) UNCTAD and appropriate financial institutions will continue to provide technical assistance to support the land-locked and transit countries in their efforts to improve the transit systems and will thus make their contribution in the various areas mentioned above. There are, however, some areas where consideration should be given to enhancing UNCTAD's role in collaboration with other relevant agencies, particularly the regional commissions. Such areas include:

- Accumulating, evaluating and disseminating information on transit matters, drawing lessons from experiences in different regions and subregions with regard to the design and improvement of transit systems;

- Carrying out transit-related studies which help decision-makers, particularly with a view to identifying critical bottlenecks which could be removed quickly and at minimum cost, in such areas as the analysis of transit costs and their implications, the role of information systems in improving transit operations, modalities for improved access to markets for the exports of land-locked developing countries, measures to attract foreign investment, and the identification of successful approaches to cooperative arrangements;

- Organizing training programmes tailored to the needs of transit policy-makers, managers and operators;

- Monitoring the progress in the implementation of action by the international community related to the transit needs and problems of land-locked developing countries;

- Formulating measures to be adopted at the national, subregional and international levels to improve the transit systems in the light of changing economic and political environments.

(v) There is a need to evaluate the transit systems of the newly independent land-locked States in Central Asia and Transcaucasia and to elaborate a programme for improving the efficiency of the current transit environment. These countries are seeking to enter world markets, and this requires the establishment of a complex multi-country transit system, including transit links between the Central Asian States and neighbouring and southern Asian transit countries. Various forms of international technical and financial assistance will be required in this respect, including a general survey of transit infrastructure and rehabilitation needs in support of national and

regional efforts and programmes. In this regard the work being done by ESCAP in the context of ECO can provide a basis for further elaboration.

III. Follow-up action of the tripartite conclusions

21. The meeting recommends the following modalities to monitor the implementation of agreed recommendations.

(i) The holding of a similar meeting of governmental experts from developing land-locked and developing transit countries, donor countries and financial and development institutions every two years, at or around the time of sessions of the Trade and Development Board or the General Assembly;

(ii) The holding of regular regional symposiums to monitor progress of implementation of agreed conclusions at or around the time of the meetings of the regional commissions.